

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 193 - SB 180

February 21, 2021

SUMMARY OF BILL: Requires each local education agency (LEA) to receive no less than a 50 percent state share in the instructional salaries and wages components, instructional benefits components, and classroom components as generated by the Basic Education Program (BEP) formula beginning with the 2021-22 school year.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$5,014,000/FY21-22 and Subsequent Years

Assumptions:

- Tennessee Code Annotated § 49-3-307 requires the state to provide a share of funding generated by the BEP formula for various categories, including:
 - 70 percent of the instructional salaries and wages components;
 - 70 percent of the instructional benefits components; and
 - 75 percent of the classroom components.
- However, the BEP formula recognizes each local jurisdiction's fiscal capacity, which quantifies the ability of local governments to fund education through property taxes and local option sales tax revenues. Because each local jurisdiction's fiscal capacity is different, the actual state and local share of funding for each local jurisdiction may vary across categories within the BEP formula and depart from the percentages established by Tenn. Code Ann. § 49-3-307.
- The proposed language will require each LEA to receive no less than a 50 percent state share in the applicable categories of the BEP.
- Currently, Davidson and Sevier Counties are the only local jurisdictions who receive less than a 50 percent share of state funding in various categories of the BEP.
- The FY20-21 BEP funding percentage levels and total funding within the applicable categories for Davidson and Sevier Counties are as follows:

	Davidson County	Sevier County
Instructional salaries and wages	46.22 percent	42.18 percent
Instructional benefits	46.22 percent	42.18 percent
Classroom	53.02 percent	47.68 percent
Current Funding Received	\$300,980,000	\$43,278,000

- The revised formula will result in an increase in the amount of state share BEP funding appropriated to Davidson County by \$2,380,000 and to Sevier County by \$2,634,000.
- The total recurring increase in state expenditures is estimated to be \$5,014,000 (\$2,380,000 + \$2,634,000) in FY21-22 and subsequent years.
- Davidson and Sevier Counties contribute funds above the required local match; therefore, neither county will have to increase the local match as a result of the increased share of state funding.
- No other LEA's share will change as a result of the revised BEP formula and the total increase in local expenditures is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

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